



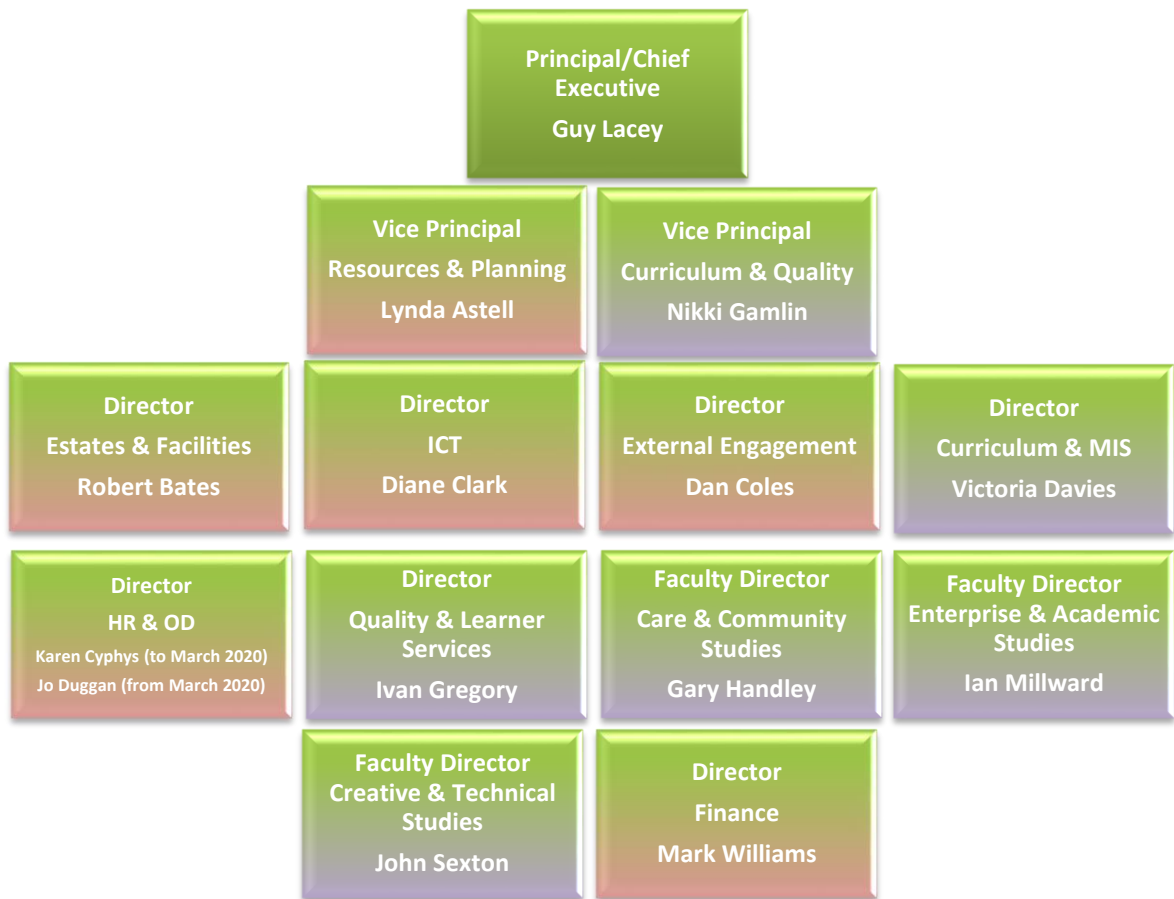
ADRODDIAD BLYNYDDOL A CHYFRIFON ANNUAL REPORT AND ACCOUNTS

2019/2020

Approved by the Board of Governors on 1 December 2020

KEY MANAGERS, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key Managers are defined as members of the Senior Leadership Team (SLT) and were represented as follows in 2019/20:



A full list of Governors is given on page 29 of these financial statements; Mrs Marie Carter acted as Governance Officer throughout the period.

The College's professional advisors and bankers for the period were:



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REVIEW OF 2019/20

The year ending 31 July 2020 will be remembered as the year in which the Covid-19 pandemic swamped our lives. On the 11 March 2020, Covid-19 was announced as a global pandemic and on 23 March 2020 the College closed all campuses and moved teaching and learning and support functions entirely to remote working. In the months since lockdown commenced we have seen our staff work tirelessly to maintain services for our learners and the team effort and resilience of all has shone through. Against this unprecedented backdrop, the members of our Governing Body are proud to present their report and the audited financial statements for the year ended 31 July 2020. The financial statements are prepared in accordance with Financial Reporting Standard (FRS) 102.

OUR LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Gwent Tertiary College. The College is an exempt charity for the purposes of the Charities Act 2011.

The Corporation was incorporated as Gwent Tertiary College. On the 1 January 2000, the Secretary of State granted consent to the Corporation to change the College's name to Coleg Gwent, a name considered to better represent the broad range of provision offered by the College.

The audited financial statements cover the Coleg Gwent Group which in addition to Coleg Gwent incorporates Coleg Gwent Training Ltd which commenced trading on 1 August 2017 but ceased trading on 31 July 2019.

STRATEGIC REVIEW

Our strategic direction is set out in our Vision, Mission and Strategic Priorities which are supported by a number of strategic objectives.



The strategic direction set by the Corporation is driven by the needs of our learners.

Like all other organisations, the College has changed the way it operates during the Covid-19 crisis. Some changes were forced on us but others, particularly in the digital arena, have been a dramatic acceleration of strategically planned innovation. We have ushered our staff and learners into a world of on-line course delivery, virtual meetings with a hybrid of home and the workplace being used to maintain operations. This has been a huge adjustment for all and whilst many aspects of what we have been through have felt negative there have also been many positives.

In recent months our College has operated in ways we have never operated before. Remote working is only a small part of it. True blended learning, more delegated authority, faster decision making, more effective and regular digital communication to staff and learners and staff and learners embracing new technology. There have been a significant number of changes and many of these will become a permanent part of the workplace and will help us accelerate a number of existing strategic aspirations. Whilst the pandemic has left us feeling that strategy has been left behind whilst we stage the daily operational battle against Covid-19, in reality our strategic priorities have continued to guide our actions but we now have so much more experience and insight to draw upon in setting a new post Covid-19 strategic direction and new priorities. The structural changes we have implemented in recent years to meet the demands of our Teaching & Learning and Technology strategies along with the more recent introduction of a new faculty structure have made a significant difference to our ability to manage this crisis and the manner in which our team of staff has responded to this crisis gives us confidence that we can emerge as a stronger College and meet the challenges of the 'new normal'.

Public Benefit

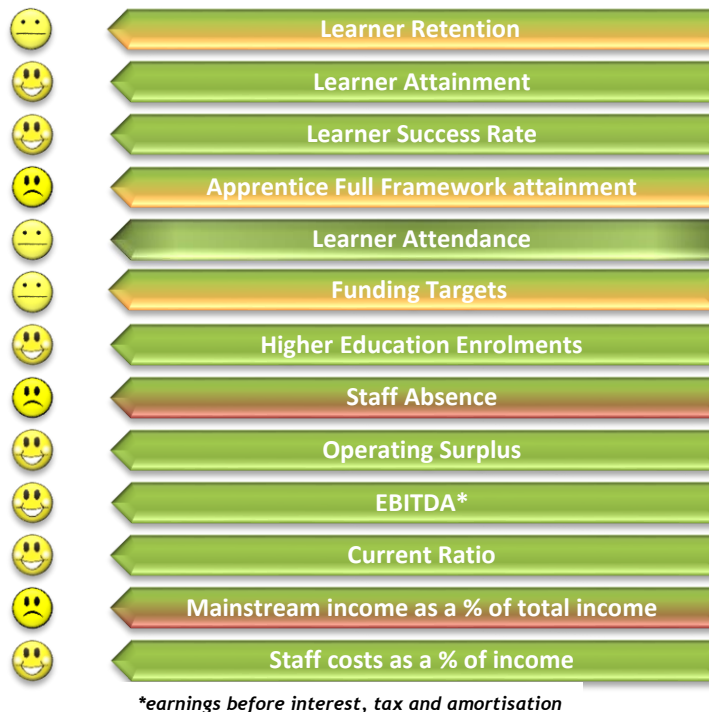
The College is an exempt charity and is regulated by the Welsh Government as Principal Regulator for all FE Corporations in Wales. The members of the Corporation, who are trustees of the charity, are disclosed on page 29. In setting and reviewing the College's strategic objectives the Corporation has due regard for the Charity Commissions' guidance on public benefit and particularly upon its guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:-

- High quality teaching and learning
- Widening participation and tackling deprivation and social exclusion
- Strong student support systems
- Strong links with employers

The delivery of public benefit is set out throughout this report of the Corporation and through the achievement of the College's key objectives and performance indicators.

For the purposes of monitoring in-year performance, the College has a number of agreed Key Performance Indicators (KPIs) which support the strategic priorities and objectives, and can be broadly broken down into learner, staff and financial performance KPIs.

In light the challenges faced in the latter half of the year, the College’s overall performance against its KPIs for 2019/20 was strong:



Key areas of note are:

- Our learner attendance and success rates continue to perform above target and, despite the confusion surrounding grading and assessment our learners gained qualifications at a higher rate than the previous year.
- Learner Retention - overall retention for our full time learners was at 89% against a target of 92%. This was the same as the previous year.
- Apprentice full framework attainment was significantly impacted by Covid-19 with many apprentices being furloughed and unable to continue on programme.
- Staff absence is an area where improvement is required and this is a key focus for 2020/21.
- Financial performance was excellence with Financial KPIs well above target in all but one area.

The narrative on pages 7 to 21 provides further detail behind our performance against our KPI targets which is analysed within the following three key areas:

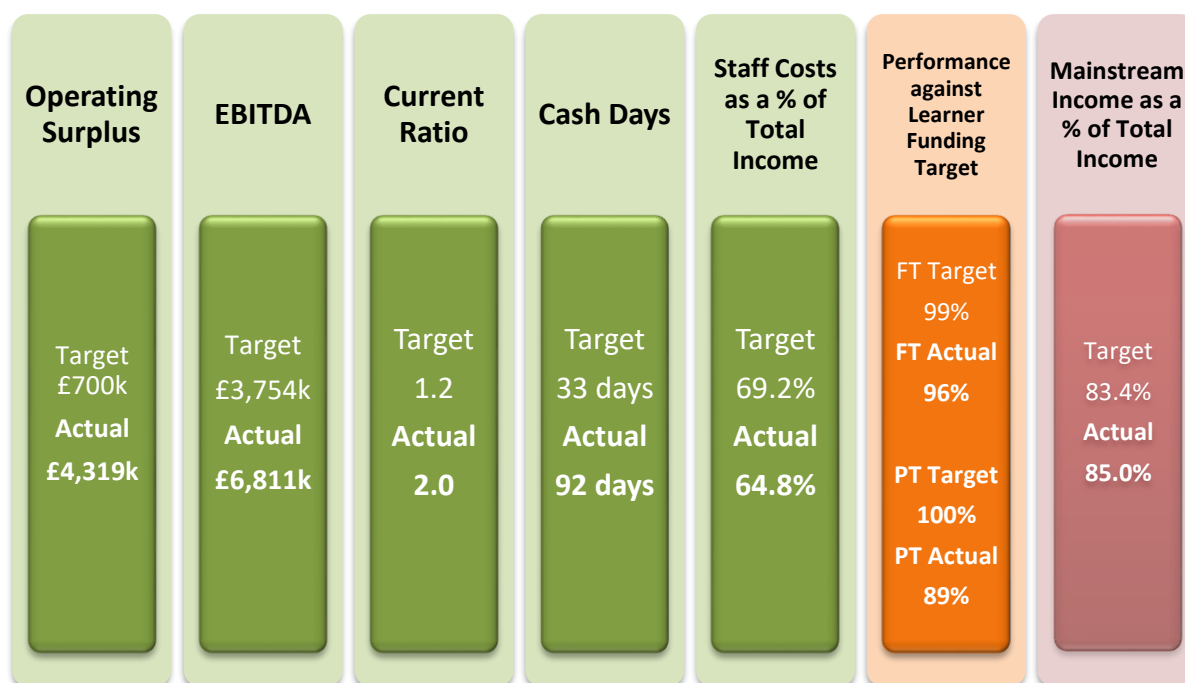


OUR FINANCIAL PERFORMANCE

These financial statements reflect the results for the year ended 31 July 2020.

It should be noted that whilst the College remained part of a Group structure throughout 2019/20, there has been no activity within the subsidiary companies during this time. Two of our subsidiaries, Coleg Gwent Catering Ltd and Coleg Gwent Enterprises Ltd remain dormant and we are in the process of liquidating Coleg Gwent Training Ltd. The financial performance for the year will, therefore, be discussed only in the context of the College throughout the report.

In a year in which organisations with a financial year end beyond March 2020 will have felt to varying degrees the financial chill of Covid-19, the College's performance against its financial KPIs for 2019/20 has remained very strong with a significantly higher than target operating surplus and with all other financial KPIs close to or better than target:



For the year ended 31 July 2020 the College's internal management accounts report a **£4,319k operating surplus**. A reconciliation of this position to the Statement of Comprehensive Income (page 41) is set out in the table on the next page

	Actual 2019/20 £k	Actual 2018/19 £k
Operating surplus before non-cash pension costs and exceptional items	4,319	2,085
Less: Non-cash pension costs	(3,307)	(2,624)
Add back: Subsidiary loan write-off (treated as non-exceptional in the Management Accounts)	122	-
Operating surplus/(deficit) before exceptional items	1,134	(539)
Accelerated depreciation Pontypool campus	(1,059)	(1,598)
Release of DCG Pontypool campus	437	678
Staff restructuring costs	(63)	(1,194)
Profit on disposal of assets	10	27
Surplus/(Deficit) for the year	459	(2,626)
Actuarial loss in respect of pension schemes	(13,100)	(9,520)
Decrease in endowment assets	-	(1)
Total Comprehensive Expense for the year	(12,641)	(12,147)

The operating surplus of £4,319k is a significant increase on the £2,085k operating surplus in 2018/19, and significantly above the target set for 2019/20. Whilst this does reflect the continued efforts made by the College to address the increasing pressure of rising staff costs and below inflation increases in core income there is no doubting the impact of Covid-19 on the latter half of the financial year.

As a result of the quite unprecedented nature of the global pandemic there was a significant degree of financial uncertainty and volatility through the final quarter of 2019/20.

The College was fortunate to have key income streams protected throughout the pandemic. Early on during lockdown Welsh Government made it clear to Colleges that full-time, part-time and apprenticeship funding would continue as planned and that targets would be set aside for 2019/20.

Whilst we anticipated the potential for significantly increased expenditure to meet Covid-19 safety measures, costs were lower than expected and we also saw significant underspends throughout the final quarter across a wide range of expenditure budgets resulting primarily from the Covid-19 lockdown in place.

Other issues to note and which are accounted for in the net operating surplus are:-

Non-cash pension costs - the deficit for the year includes non-cash costs of £3,307K (2018/19 - £2,624K) arising as a result of accounting for the LGPS in accordance with FRS 102 and which is made up of two elements:

<i>FRS 102 charge in excess of contributions</i>	£2,442k	(18/19 £1,798k)
<i>Pension finance costs</i>	£865k	(18/19 £826k)

The charges to the income and expenditure account are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme - both of which are outside the control of the College.

Coleg Gwent Training Ltd debt write-off - during 2018/19 the College impaired a loan granted to its training subsidiary. During 2019/20 the College wrote off the full outstanding balance. This incurred an additional charge of £122k in 2019/20.

Accelerated depreciation charge - Accounting standards require the carrying value of assets to be reviewed each year to ensure the value is supported by future cash flows and recoverable amounts. Where this is not the case, for example, due to a decision to retire an asset earlier than expected, an accelerated depreciation charge is recognised in the Income and Expenditure account.

In December 2017 the Welsh Government approved the closure of Torfaen County Borough Council's sixth forms and by default their transfer, along with activity from the current Coleg Gwent Pontypool campus, into the new Post 16 centre in Cwmbran which will be governed and managed by Coleg Gwent. This decision, in effect, created a 'point of no return' for the College's proposed closure of its Pontypool campus.

Pre Covid-19 the planned closure date of the Pontypool campus was 31 July 2020 and consequently an accelerated depreciation charge net of released deferred grant of £920k was recognised in the 2018/19 accounts. Unfortunately, the pandemic has impacted on the completion and occupancy dates of our new build in Cwmbran which means that the planned closure date of the Pontypool campus is now 31 December 2020. These accounts have therefore recognised a recalculated accelerated depreciation charge along with a release of additional deferred capital grant with a net £622k impact on the income & expenditure account with a further £293k impact to be reflected in the 2020/21 accounts.

Restructuring costs - a total of £63k of costs have been incurred in funding small scale organisational changes throughout the year.

Increased holiday pay accrual - accounting standards require the College to consider the cost of outstanding holiday entitlement held by staff at the year-end as an accrual. Each year the College encourages all staff to book their annual leave through the College's electronic booking system. At the end of the year any unused leave is costed using each staff members daily pay rate and the total accrued in the annual financial statements.

During 2019/20 and in direct response to the impact of the pandemic on staff the Corporate Management Team, supported by Governors imposed a two week College closure over the Easter period. Staff were not required to book annual leave for this closure and subsequently at the end of July 2020 retained a higher number of untaken

leave days than in the previous year which, when costed, resulted in an increase of **£504k** in the holiday pay accrual.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate Treasury Management policy in place. The policy was reviewed and a revised policy approved by the Finance & Resources Committee in November 2019.

Cash

The College's cash balance at 31 July 2020 was £14.9m (2019 - £11.8m). During the year the College invested £4.3m in capital resources for the benefit of learners and staff, detail of which can be seen later in the report.

Impact of pension costs on the group's results

The College's results are significantly affected by the volatility arising from the accounting requirements for post-employment benefits set out in FRS 102. This accounting standard establishes the requirements on the College in accounting for the cost of its commitment to the Local Government Pension Scheme (LGPS) in respect of its business support staff. Accordingly, the charges to the income and expenditure account and the liabilities shown on the balance sheet are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme - both of which are outside the control of the College. This is of particular relevance in 2019/20, a year in which many pension schemes have seen a significant worsening of their funding position as a result of the market instability caused by the Covid-19 pandemic.

As explained above, the surplus for the year includes non-cash costs of £3.3m (2019 - £2.6m) arising as a result of accounting for the LGPS in accordance with FRS102.

In addition, the LGPS pension provision recognised on the balance sheet has increased in the year by £16.4m to £57.0m (2019 - £40.6m).

This adverse movement is driven primarily by the significant reduction in the discount rate from 2.1% in 2019 to 1.4% in 2020 (mainly arising from the fall in AA corporate bond yields), which serves to increase the value placed on past service obligations. Changes to the pension and salary increase assumptions have served to offset some of the impact of the reduction in the discount rate.

However, the value of the underlying investments held in our fund as at 31 July was negatively impacted by market volatility resulting from the Covid-19 pandemic, which had the effect of increasing the deficit further still.

The pension deficit of £57.0m has a significant impact on the College's balance sheet, creating negative assets of -£26.1m (an increase from -£13.5m in 2018/19). There is little that the College can do to influence movements in the deficit position, other than increasing the employer's contribution rate. A triennial valuation of the Scheme

undertaken in 2019 a resulted in a decrease to the employer's contribution rate from 26.4% to 18.9% (7.5%), but it is highly likely that this will reverse at the next valuation given current economic and market conditions. The next valuation is due in 2022.

However, in considering the impact of these accounting requirements on the College's financial position it should be noted that pension liabilities are, by their nature, long term obligations and that in meeting these obligations the College pay the employer contributions to the pension scheme recommended by an independent qualified actuary.

Payment Performance

The College has standard 30 day payment terms with the majority of its suppliers and is in line with the requirement of the Late Payment of Commercial Debts (Interest) Act 1998. The supplier is made aware of these terms by issuing a copy of the College's terms and conditions with each purchase order.

The calculation of payment performance, as originally prescribed in the Accounts Direction, is based on the year-end creditor figure and at 31 July 2020 was 11 days (2019 - 7 days). The slight increase is due to a small number of high value Covid-19 related payment queries which have since been resolved.

OUR LEARNERS

Learner Numbers

In 2019/20 Coleg Gwent was the College of choice for **15,092** learners (2018/19 - 16,904) including:



The Diversity of our Learners

The College enrolls a diverse student population which broadly reflects the communities served by its campuses, the five county Community Education franchises and its Work Based Learning programme. In 2019/20, 9.8% (18/19 - 8.9%) of our learners were from BME groups and 16.7% (18/19 - 17.7%) of learners declared themselves as having a disability and/or learning difficulty.

Males account for 48.5% (18/19 - 48.4%) of the College's learners in 2019/20.

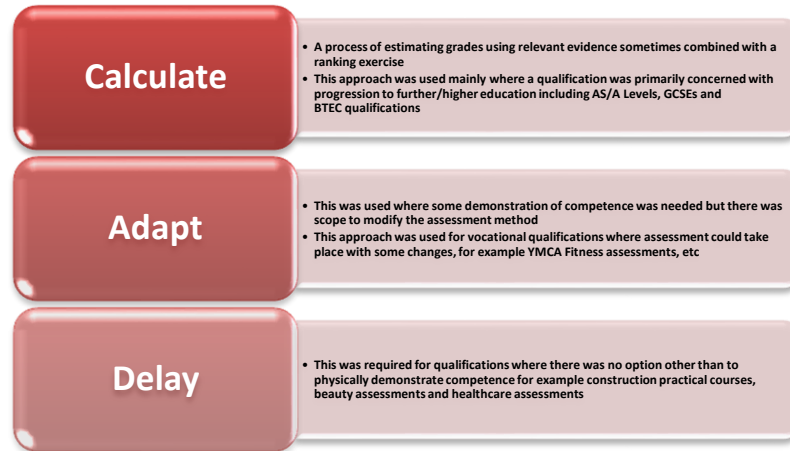
The College serves a slightly higher proportion of learners from areas of high deprivation compared to the most recently available sector average (49.7% against a sector average of 49%). However, this does vary across our campuses, from 45% at our Crosskeys Campus to 64% at the Blaenau Gwent Learning Zone (BGLZ).

Learners from all deciles perform well on every measure and this is consistent across the categories. Comparing outcomes for learners from deciles 1 with deciles 5-10, the difference in success rate is in line with the sector average and with the previous year. This provides reassurance that the College supports its learners well and has strategies in place that successfully compensate for the potential negative impact of deprivation on learning.

Learner Outcomes

The Covid-19 crisis had a significant impact on the different qualification types and this has been a challenging and difficult time for staff and learners. Following the decision to close schools and Colleges and cancel the summer exam series, most vocational awarding bodies were very slow to finalise arrangements for submitting final grades and some furloughed their staff at a critical time. When decisions were made, deadlines were often very tight and for some awarding bodies, the volume of data requested was significant resulting in several weeks inputting unit grades. Some learners were issued with up to three different sets of results. This has had a far-reaching impact on the whole of the education system and on learners across the UK.

The awarding of end of year grades for 2019/20 fell into three categories:

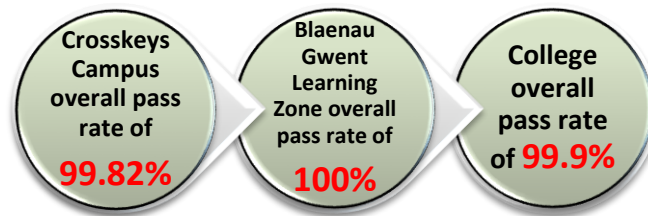


Teaching teams worked hard over a number of months to complete predicted grades and our health and safety team worked hard to facilitate safe access to our campuses for the completion of adapted and/or delayed assessments.

Whilst the College was successfully able to ensure that learners were able to claim a qualification, there remain around 500 learners who will need to complete their assessments in the first term of 2020/2021.

'A' Levels

Despite the issues with examinations and grade predictions this year, the College was once again delighted with the 2019/20 A Level results with an overall improvement on the previous year and above the Welsh and UK comparator for the fifth consecutive year.



- the Crosskeys Campus pass rate for grades A*-C was 85.33% with thirty subjects at the Campus having a 100% pass rate.
- the BGLZ pass rate for grades A*- C was 88.0% which is up from 75.9% the year previous.
- 79 out of the 369 (21.4%) Coleg Gwent students sitting their A Levels got at least one A* grade.

GCSE Results

98.4% of our learners who followed a Maths GCSE programme of study gained a qualification (A* to G) with 30.5% gaining A* to C grades.

98.8% of our learners who followed an English GCSE programme of study gained a qualification (A* to G) with 44.6% gaining A* to C grades.

Vocational Qualifications

Due to the impact of Covid-19, approximately 10% of our vocational learners have yet to complete their assessments. We therefore have an incomplete dataset for our vocational qualifications. In terms of those courses which have completed, attainment is in line with previous years. Attainment on completed courses is currently at 86% (normal outturn 93%) and success at 76%. We estimate that incomplete qualifications have the effect of taking around 8% off the overall outcome. If the outstanding courses complete with the same level of attainment, then the College estimates a 93% attainment (in line with last year) and 83% success rate (slightly up due to improved retention on previous year).

The College is working hard during the first term of 2020/21 to support learners in completing their qualifications but this is likely to take us right up to the Christmas break and possibly beyond.

Apprenticeships

The College anticipates full framework success in apprenticeships to be 62%. This is disappointing but is in large due to the significant impact of Covid-19 on apprentices. Many of our apprentices now find themselves furloughed and this is having a significant impact on our ability to deliver the framework.

Funding Targets

Overall, the College achieved 96.3% of its Welsh Government full time target, and 89.4% of its part time target. The shortfall against the part time target of £446k was largely attributable to the Covid-19 lockdown over the latter part of the year. Welsh Government have confirmed that there will be no clawback for 2019/20 due the Covid-19 funding protection measures.

CURRICULUM DEVELOPMENT

The new Faculty structure implemented in August 2019 has had a significant impact on the way the College functions and has enabled a clearer and more effective focus on curriculum development with each faculty having spent significant time and effort developing cross-College curriculum strategies, one for each subject area. These will enable a more strategic and curriculum driven approach to managing College business and provides a clear line of sight for each curriculum area. This also delivers benefits to local employers, who previously would have had separate contacts for each campus. Notable achievements in 2019/20 have been seen in a number of curriculum areas:

DIGITAL

Launch of the College's Cyber Security Qualification co-designed with specialist industry partners

AND

CYBER

We are the first College in Wales to become a CyberFirst Gold College

We are one of only two Colleges in Wales to be involved in the Cyber College Wales initiative, in partnership with the University of South Wales through the Strategic Insight Programme funded by the HEFCW

New Cyber labs have been created at two of our campuses (Crosskeys and Newport) with the development of a third lab now underway at our Blaenau Gwent Learning Zone.

CAREER COLLEGE

The Career Colleges Trust is a charity, founded with a primary objective: **supporting students into great careers**

In 2018/19 the College worked with the Trust and launched a Digital Career College at the Newport and Crosskeys campuses and a Care Career College at our Blaeanu Gwent Learning Zone

In 2019/20 these developments have supported employer involvement in the curriculum and have introduced a range of wider enrichment activities for learners to benefit from, improving their progression opportunities

The Career College approach has facilitated a new way of thinking about employer involvement and has provided opportunities to staff and learners to enhance the curriculum and learner experience

ENGINEERING

The College continues to be accredited by the National Skills Academy, Rail (NSAR) and is the only accredited centre in Wales.

The NSAR is a membership organisation for the rail industry established in England to represent employers in training matters and quality assure qualifications that the industry needs.

The NSAR invites Colleges to become members that have strong quality profiles and are strategically located to provide the industry with sufficient training coverage

Recruitment to engineering programmes has remained fairly stable, though there has been continued growth at BGLZ, where higher level engineering courses have specialised in advanced motorsport and aeronautical engineering, both proving popular

BGLZ also houses the College's composites centre: the only composite centre in Wales. Construction has also grown slightly, despite closing the construction centre at Pontypool Campus.

SKILLS

The College has been selected to be part of the first year of the WorldSkills UK Centre of Excellence. This is quite an achievement as over a quarter of Colleges across the UK applied and the College is one of only two in Wales to be successful.

The College continues to prioritise skills development of full-time learners. All learners studying a two-year Level 3 qualification undertake the Skills Challenges of the Welsh Baccalaureate (WBQ) qualification. All other full-time learners study a Skills Activities programme which the College has developed in partnership with Agored. This focuses on the development of employability skills, ensuring that all full-time learners have the opportunity to develop the skills needed to support their positive progression.

The College also prioritises the development of Maths and Welsh/English to level 2 for all full-time learners. The curriculum is designed to enable all learners to work towards the achievement of GCSE in these subjects over an appropriate timescale, depending on their GCSE qualifications on entry

HIGHER EDUCATION

The College has continued to develop its HE provision. Progression pathways are available in almost every subject area and HE numbers have continued to grow, placing the College as one of the biggest HE in FE providers in Wales

The new Foundation Degree in Veterinary Nursing has been very successful, and the College offers a top up BSc in this area.

The College has developed a Mental Health programme in partnership with the University of Worcester which recruited for the first time in 2018/19

A partnership with Aberystwyth University supports a Foundation Degree in Equine Studies.

INVESTMENT IN OUR STAFF

In 2019/20 the College was the employer of choice for 947 colleagues (18/19 - 934). Over half of these (51%) hold direct teaching roles. The year on year increase is partly the result of the recruitment of a new team of 'A' level staff in relation to the new Torfaen Learning Zone (TLZ).

When considering our staff profile, we typically employ more females (63%) than we do males (37%) and this can be seen across all job roles. When considering the gender split amongst management, the team comprises 55% female and 45% male.

In terms of age, 76% of our workforce are aged between 31- 60. Over a quarter of our colleagues (28%) are aged 51-60, with 11% aged within the 21-30 age bracket.

Our employment of staff from ethnic backgrounds remains very low with 95% of staff coming from a white background. Equality data demonstrates that 34% of staff consider themselves Welsh, and 66% of staff consider themselves British when asked to disclose their nationality.

Our data demonstrates that 5% of colleagues have reported themselves to be disabled.

College data also demonstrates that 77% of staff are heterosexual, with 1% disclosing they are homosexual and 0.5% disclosing they are bisexual. A number of staff chose not to disclose their sexual orientation.

When comparing the equality data for the previous year we have seen little change due to low staff turnover.

The College seeks to encourage and support equality, diversity and inclusion amongst all its learners, staff and visitors, recognising the particular contributions to the achievement of the College's mission that can be made by individuals from a wide range of backgrounds and experiences. We are currently undertaking a review of our Equality & Diversity Steering Group to ensure membership is representative across all job roles and levels, as well as appointing individuals who are passionate and committed to driving change in all aspects of Equality & Diversity, and who wish to play an active role in supporting and improving the culture and community at Coleg Gwent. We are hopeful that this new approach will proactively support us in overcoming some of the challenges that we currently face

Staff Pay & Remuneration

The Governing Body recognises that the success of the College is based on the hard work and contribution of its staff and that it is essential that they are rewarded fairly and reasonably. The Governing Body also recognises the importance of transparency and equality in decisions regarding pay and remuneration and complies with requirements to publish information on such matters.

During 2019/20 staff received an average pay increase of 3% applied variably to staff groups as follows:

2019/20 Pay Award	
Associate Lecturer (A01 - A04)	2.75%
Lecturer (MG1)	5.00%
Lecturer (MG2 - UP3)	2.75%
Instructor Demonstrator	2.75%
Professional Trainers	2.75%
Business Support	2.75%
Management Spine	2.75%

Following a review of hourly paid lecturing hours and curriculum need we were also able to create an additional 18 full time equivalent permanent contracts across the College

The College is also required to report annually its gender pay gap. During 2019/20 we reported a mean gender pay gap of 7% and a median gender pay gap of 17.91%.

Full details can found in our Gender Pay Report which can be accessed using the link below or by visiting the College's website at www.coleggwent.ac.uk:

<https://www.coleggwent.ac.uk/wp-content/uploads/2020/04/Gender-Pay-Gap-2020-EN.pdf>

Since the Covid-19 pandemic was declared in March 2020, much of our time and effort has been focused on supporting our staff in dealing with the challenges arising as a result. Throughout this period the College has needed to respond and react quickly through numerous transitions, and this is set to continue. Our staff have been absolutely key in ensuring that effective learning and service provision continued, and a priority for the College has therefore been to ensure we effectively lead, support and motivate staff throughout the duration of this pandemic and into the future.

The table below summarises the efforts of staff working together to manage the impact of the pandemic.

T	Working together across the sector on a national level and maintaining regular attendance at sector wide meetings via Colegau Cymru.
H	A Covid Steering Group and Operational Planning Group was established and frequent meetings took place to discuss and resolve challenges as they became known
E	All policies and procedures were assessed to ensure innovative solutions were implemented and ensuring operations could continue effectively
C	Regular contact was maintained with the Unions in relation to both general issues and Covid-19 matters.
O	All colleagues were asked to complete a Return to Work Questionnaire to allow us to support our most vulnerable colleagues. Return to Work Health data is held for 92% of staff should shielding measures return
V	Internal track and trace processes were implemented and good relations have been forged with Public Health Wales and the regional track and trace teams.
I	Regular internal communications were delivered using a variety of channels, including live events via MS Teams, live Q&As, messages from the Principal and InTouch
D	A new Home-Working Policy was introduced in response to the recent transition to new ways of working
E	A Covid Recovery website was launched to ensure colleagues could easily access the most up to date information
F	Teams of staff predicted over 2,300 'A' level subject grades, over 1,300 GCSE grades and tens of thousands of vocational units
F	1,200 virtual desktops were created and 257 laptops were issued (within a few days of lockdown notification) to enable staff to work from home and keep learning going
O	Our Payroll team successfully processed 6 monthly payrolls, all remotely for over 1,000 staff.
R	Our Health and Safety Team have assessed 5 campuses and 815 rooms have been set up to ensure they were all Covid secure for our safe return
T	The College supported Aneurin Bevan Health Board in its Covid-19 efforts by facilitating use of our sites and resources for staff training, visor and ventilator part production and other services

Although responding to the challenges of the pandemic has been a significant effort for all teams across the College, we have also continued with planned initiatives, many of which are summarised on the next page.

INVESTMENT IN STAFF - 2019/20

Staff Engagement

We launched a new, modern staff portal with enhanced communication and staff engagement capacity and utilised Microsoft Office 365 technology to assist us

We delivered 3 All Staff Meetings, 2 OUMT Meetings (One United Management Team), and issued 24 redesigned staff newsletters (InTouch)

We delivered our digital Celebrating Excellence Awards to showcase staff achievements and recognise colleagues for their efforts

We carried out a number of staff surveys to seek thoughts and feedback in relation to homeworking, internal communications and features for staff events and training

We carried out a number of internal communication campaigns including the safer campus campaign

Continuing Professional Development

Training has been delivered throughout the year and sessions have included; Equality & Diversity, Safeguarding, Dignity at Work, GDPR and Health & Safety

Our inset days were also themed around Equality & Diversity and Health & Wellbeing and interactive sessions were held with staff to raise awareness in relation to gender, disability, mental health and domestic abuse

2019/20 saw the launch of our new Teaching & Learning (T&L) on-line CPD resource portal

Our Teaching & Learning mentors have continued to provide tailored One-to-One support to teaching staff

The T&L team rolled out the Microsoft Educator centre to support colleagues in developing their digital skills

In response to the current situation we delivered a number of training sessions focussed on building relationships with learners in a digital environment

Equality & Diversity

Our Principal shared his thoughts and hopes to all staff in relation to the Black Lives Matter movement and reached out to our BAME colleagues asking them to share their experiences whilst working at Coleg Gwent

A partnership has been initiated with Show Racism the Red Card.

A partnership was established between the College and Newport Council to support in the delivery of the Reach+ project. This project helps refugees rebuild their lives and integrate into their local communities

The College has created and published its Diversity Charter

Class and School representatives were elected and equality and diversity actions were discussed at School forums and the Principal's Learner Forums

A LGBTQ+ coffee morning was held and LGBTQ+ history month was celebrated

Our Gender Pay Report and action plan was published and the College is tracking favourably against the national average

Health & Wellbeing

General sickness absence data for the College during 2019/20 demonstrates an absence % rate of 6.4%, above our target of 4% and an area for future focus

We have invested in the appointment of a new Health & Wellbeing Officer to help increase wellbeing initiatives and improve our offering to both staff and learners

A new absence dashboard has also been developed to better support line managers in accessing and monitoring their departmental sickness cases independently

The College has also recently launched 'TogetherAll'. This is an online community for our staff and learners to obtain mental health support. The service provides access to trained professionals and offers clinical expertise, peer support and a safe online environment to help improve mental wellbeing

INVESTMENT IN OUR ESTATE, TECHNOLOGY & PHYSICAL RESOURCES

Despite the difficulties posed by Covid-19 we have continued working hard to enhance resources for our learners and staff and in 2019/20 have invested £4.3m in various projects as summarised in the chart below.



PARTNERSHIPS

Coleg Gwent has managed to maintain and engage with many new and existing partnerships throughout a difficult period for both our stakeholders and the College.

The Principal continues to represent the FE sector on the Cardiff Capital Region Skills Partnership, which is the Regional Skills Partnership (RSP) for South East Wales. Amongst its responsibilities this partnership plays the important role of advising the Welsh Government on skills priorities for the economy of the south east Wales region.

The College covers five Local Authority areas and efforts are made to engage with relevant strategic and operational partnerships, including Public Service Boards, skills and training groups and economic forums. The College is continually strengthening its links with the Local Authorities and is recognised as a stakeholder in the skills, growth and prosperity agendas across Gwent.

This year has seen significant progress in partnerships with key employers. During the course of the year the College has worked with large tech employers Thales, Admiral and Fujitsu along with Bridgend College and the University of South Wales to develop Cyber College Cymru. This is a brand new initiative, with the pilot starting in September 2020, which provides industry input to create pathways into digital careers.

A strategic partnership between the College's ICT Team and Citrix saw the College investing significantly in a virtual desktop infrastructure which has transformed the experience of learners and staff. The project saw the coming together of the College's Technology and Teaching and Learning strategies to deliver a cutting edge technical solution to fully support blended learning. The project saw the College being showcased by Citrix for the implementation and the benefits to our learners and staff.

<https://www.citrix.com/customers/coleg-gwent-en.html>

The College is a major partner in the Gwent Care Career Consortium, which also includes the Aneurin University Health Board, the five Gwent Local Authorities, regional employability projects and private providers of social care. The objective of the group is to better meet current and future job vacancy demands in both the local medical health care and social care sectors. The group has already been recognised as a Bevan Commission Exemplar and is in the final for the Social Care Wales 2020 Accolades Awards.

The partnerships that support the delivery of the European Social Fund (ESF) funded projects continue to provide further value to the College, learners and local employers. The Inspire2Achieve projects, which are led by Local Authorities, involve a number of regional partners and aim to support learners that are most at risk of becoming NEET. The Upskilling@Work projects are led by Coleg Gwent and Coleg y Cymoedd, and are collaborations of FE partners in South East Wales and Powys. The College also chairs the regional ESF skills network, which is wide ranging group of FE, HE, Local Authority and third sector bodies that deliver skills and training.

The College delivers an Apprenticeship contract as part of the B-WBL consortium, which is led by Pembrokeshire College. This arrangement works well and the consortium provides a lot of support for the College's Apprenticeship programme as well as facilitating the Welsh Government contract. The College also works with the Construction Industry Training Board (CITB) to support the delivery of Apprenticeships within the construction sector.

Coleg Gwent has continued working with the Careers College Trust. We are working closely with this national trust to develop stronger links between the curriculum and employer needs in the priority sectors of digital and health and care. The College will build on this over coming years to strengthen the key role that FE has in equipping learners for work and meeting local skills needs.

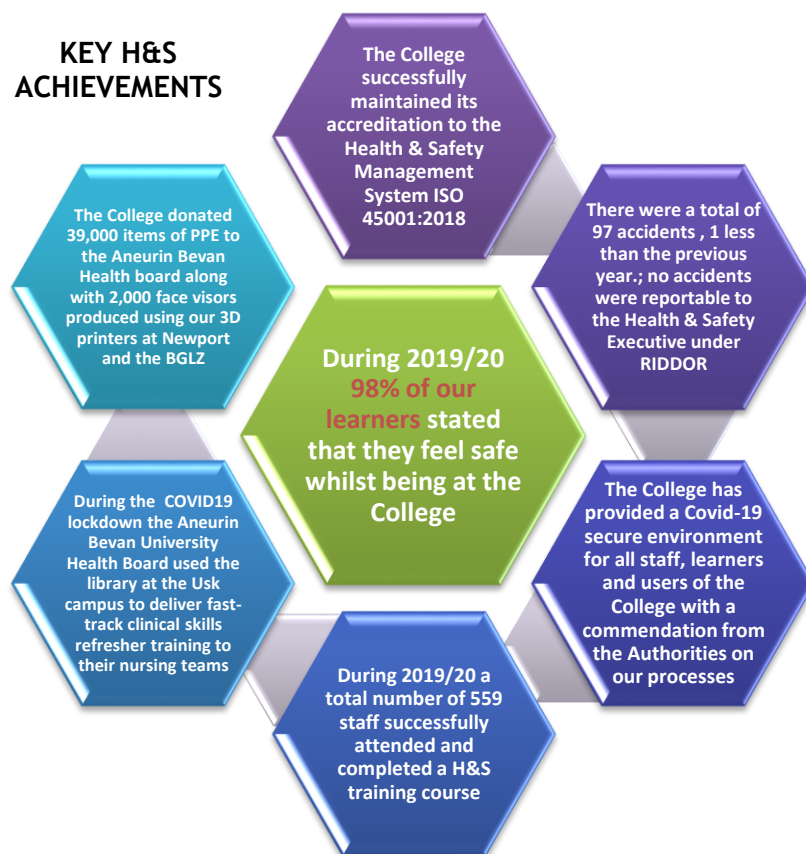
HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE

Health & Safety

During 2019/20 the College achieved a number of key health and safety (H&S) goals, which demonstrate the College’s approach to minimising risk and providing a safe environment for all staff and learners whilst ensuring legal compliance. However, since March 2020 the work of the College’s Health and Safety team has been dominated by the Covid-19 response and our efforts have been recognised as exemplary by our local Environmental Health partners.

More generally, the College health and safety risk and opportunities register is reviewed annually by the Head of Health, Safety & Sustainability and monitored by the Health, Safety & Sustainability Committee which has Board of Governor representation who regularly reports to the Board. The review ensures that the significant health and safety hazards and the associated risks to the College are assessed, the control measures reviewed and appropriate actions identified to reduce those risks.

The College currently has 43 significant Health & Safety risks, of which 25 have been assessed as low, 18 assessed as medium and no risk identified as high.



The College’s Covid-19 assessment took into account the current guidance published by the UK and Welsh Governments. The risk assessment is reviewed on a regular basis to ensure any changes to the Covid-19 guidance are taken into account and implemented where required. All reviews and changes to the risk assessment have been conducted following consultation with the College Union Safety Representatives. Any significant changes or amendments to the risk assessment have been communicated to all staff and learners

Environmental

During 2019/20 the College successfully maintained its accreditation of the ISO 14001:2015 Environmental Management Standards and is the only Welsh Further Education College to hold the management standard.

The College also continued to play an active and significant role in supporting its local communities through the development of collaborative partnerships and student engagement programmes with Cynnal Cymru, Keep Wales Tidy, SEWTA, Carbon Trust, Plan-it Eco and the Woodland Trust.

The College continues to monitor its energy usage and continues to work towards its environmental targets (it should be noted that the national lockdown introduced in March 2020 played a part in the following results):

The College continued to work towards its target of 'zero waste' to landfill by preventing 95% of the total waste produced by the College being sent to a landfill site.

For 2019/20 the total combined energy consumption equated to 9,673,956 a reduction of some 1,105,436 kWh when compared to 2018/19 (10,779,392 kWh)

The total water consumption for 2019/20 equated to 11,871 m³.
When compared to 2018/19 (18,398) this equated to a saving of 6,527 m³.

The total CO_{2e} for 2019/20 equate to 3,292,117 CO_{2e} this is a reduction of 505,410 kg (12.5%) when compared to 2018/19

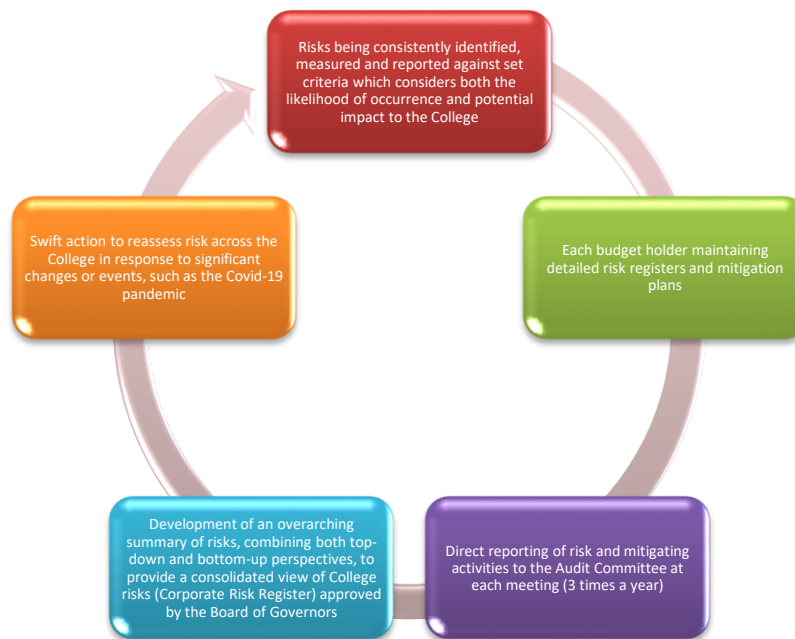
FUTURE UNCERTAINTIES & RISKS

Our approach to risk management is simple and practical. The Audit Committee, under delegated authority from the Board of Governors, is accountable for overseeing the effectiveness of our risk management policy and processes, including identification of the principal and emerging risks facing the College.

The Risk Management Policy is formally reviewed and revised regularly to ensure it remains fully aligned with the needs of the College and corporate governance responsibilities.

Our risk management process mirrors our operating model with each budget holder being responsible for the ongoing identification, assessment and management of their existing and emerging risks. The output of these assessments are ultimately aggregated to compile an overall corporate view of risk.

This process includes:



In light of the Covid-19 impact and in addition to the standard corporate risks included in our annual risk register, this process has identified a number of **emerging** risks facing the College in 2020/21 with mitigating measures monitored through our regular reporting to Board and Audit Committee.

EMERGING RISKS 2020/21



These emerging risks are included in the College's Risk Register for 2020/21 and will be monitored, reported on and updated regularly throughout the year.

FUTURE PRIORITIES

The Covid-19 pandemic has not gone away and its impact will be with us for some time to come. Keeping our learners and staff safe and ensuring that our learners continue to have the best possible experience is our top priority and this will include working closely with Welsh Government and Awarding Bodies with regard to 2020/21 examinations.

We will however, continue to work on a range of additional priorities both internally and externally that will shape the future direction of the College, its range of services for learners, employers and communities and its relationships with partners and stakeholders including:

- We opened this report with details of how the Covid-19 pandemic had changed our approach to many aspects of life and work. It has impacted on all aspects of College operations and we need to review what has worked well in our new way of working.

One of our key priorities in 2020/2021 will be the development of a new Strategic Plan which will draw upon our recent experiences and reset our strategic direction. This will be supported by a review and refresh of all of our key supporting strategic documents.

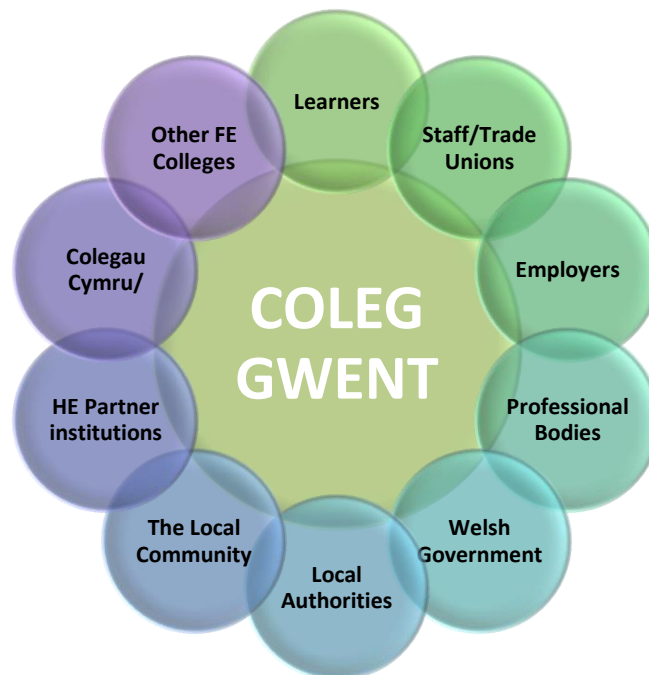
- The College partnership with Torfaen County Borough Council (TCBC) to deliver the Torfaen Learning Zone (TLZ) has remained strong during a challenging period. The project, which is led by TCBC and part funded by WG, has been delayed as a result of Covid-19 and is now due to open to learners in January 2021. Learners are currently studying at our Pontypool campus which is now due to close at the end of the year. We are working tirelessly on transition and support for learners ahead of the move in to the new campus.
- The Newport Knowledge Quarter partnership with Newport City Council continues, and the project is an important part of the future development plans for the city. The project is making steady progress and the College has entered into a Strategic Partnering Agreement for the delivery of the project through the Mutual Investment Model (MIM) funding route, in partnership with the Welsh Government.
- A further priority for 2020/21 is to develop, implement and embed a Wellbeing strategy for learners and staff. We have already appointed a College Wellbeing Officer who will work with the Director of Quality & Learner Experience and the Director of HR & OD on the strategy. Plans also include the implementation of Mental Health First Aiders. The College has recently launched an online support platform called TogetherAll which is already helping learners and staff.
- We continue to develop our relationships with employers and a priority moving forward is to continue to build on these relationships and focus on employer involvement. This will improve the learner experience, strengthening the links between curriculum and employability, with greater involvement of employers in curriculum design, learner experience and planning skills for the future.

- Whilst we have made good progress in implementing key actions set out in our current Strategic Equality plan events in recent months including the BLM campaigns and the awareness that these have raised have highlighted to us that more needs to be done. We are therefore carrying out a full review of our approach and implementing some immediate actions:-
 - Changing the approach and membership of the College’s Equality & Diversity Steering Group
 - Reviewing and updating the Strategic Equality Plan

- We will continue to play a key role in influencing the skills agenda for the Cardiff Capital region. The Principal will continue to represent the sector in this critical forum and will ensure that the voice of Further Education is at the forefront in shaping the new PCET (Post Compulsory Education & Training) commission.

STAKEHOLDER RELATIONSHIPS

The College has worked hard to establish productive relationships with stakeholders:



We recognise that engaging effectively with our stakeholders is crucial to our success. Effective engagement helps us to truly understand our stakeholders’ needs and to align them with our organisational goals and strategy development. Throughout this report there are examples of our effective engagement with key partners and we pride ourselves on the development of productive relationships that benefit our learners.

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH WELSH GOVERNMENT TERMS AND CONDITIONS OF FUNDING.

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH WELSH GOVERNMENT TERMS AND CONDITIONS OF FUNDING.

The Corporation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with Welsh Government terms and conditions of funding, under the Financial Memorandum and Conditions of Funding in place between the College and the Welsh Government. As part of our consideration we have had due regard to the requirements of the Financial Memorandum and Conditions of Funding.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Welsh Government.

Signature:- _____ **Signature:-** _____
Chair **Principal/Chief Executive**

Date:- _____ **Date:-** _____

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The purpose of this statement is to help the reader of the accounts understand how the principles of the UK Corporate Governance Code (in so far as it applies to the FE sector) have been applied. The College is committed to best practice in all aspects of corporate governance and operates with due regard to the principles of the UK Corporate Governance Code. The Corporation has also adopted and complied with the Code of Good Governance for Colleges in Wales and conducts its business in accordance with the seven Principles of Public Life: selflessness; integrity; objectivity, accountability, openness, honesty and leadership.

In the opinion of the Governors, Coleg Gwent complies with all the provisions of the UK Corporate Governance Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2020.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors (who are also the Trustees for the purposes of the Charities Act 2011), confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in this Annual Report.

The Corporation Board

The members who served on the Corporation Board (The Board) during the year to 31 July 2020 are shown in the table on page 29.

It is the responsibility of the Board to apply independent judgement to issues of educational character, strategy, performance, resources and standards of conduct. The Board is provided with regular and timely information on the overall financial performance of the College, together with other relevant information such as performance against key performance indicators, quality issues, capital expenditure proposals and human resources matters, including health and safety and environmental issues. The Board met six times in 2019/20.

The Board also conducts its business through sub-committees and has approved Terms of Reference for each of these. During 2019/20, these committees were:

- Audit Committee
- Curriculum & Quality Committee
- Finance & Resources Committee
- Remuneration Committee
- Search Committee

Formal agendas, papers and reports for all meetings are supplied to Governors in a timely manner prior to all meetings and all committees report to the Board through regular, formal Committee Chair's Reports.

All Governors are able to undertake training in relation to their responsibilities and have access to the Governance Officer, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Governance Officer are the responsibility of the Board.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Board has a strong and independent non-executive element and it considers that each of its non-executive members is independent from management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is clear division of responsibility in that the roles of the Chair and Principal/Chief Executive are separate. The Corporation's Instrument & Articles of Government clearly identify responsibilities that may not be delegated and all Governors recognise the division between management and governance. The Board has approved a Schedule of Delegation which supports this by providing clarity and consistency to delegation of decision making.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Name	Date of Appointment (A) Resignation (R)	Term of Office (Years)	Status	Committees served*	Attendance in 2019/20
Mark Langshaw MBE Chair of Governors	01.08.2016 Re-appointed 01.08.2019	3	Independent	F,R,S	83%
Guy Lacey	01.08.2015	N/A	Principal/ Chief Executive	C,F,S	92%
Hilary Aldridge Vice Chair of Governors	01.04.2018 05.11.2020 R	3	Independent	C (Chair),R,S	92%
Hamed Amiri	01.04.2018	3	Independent	A	80%
Susan Ball Vice Chair of Governors (from 01.12.2020)	01.04.2018	3	Independent	R,S (Chair)	78%
Anthony Basnett	01.01.2018	3	Independent	F (Chair)	78%
Elizabeth Brimble	01.06.2019	3	Independent	A	100%
Aaron Feist	01.01.2020	1+ **	Student (FE)	-	100%
Christopher Freegard	01.01.2020	3	Independent	F	83%
Megan Grace	01.01.2020	1	Student (FE)	C	100%
Darragh Hanley-Crofts	01.08.2017 Re-appointed 01.08.2020	3	Independent	F	89%
Sian Hughes	01.10.2015 Re-appointed 01.10.2018	3	Staff	F	91%
Samantha Morgan	26.02.2020	1+ **	Student (HE)	C	100%
Ray Morrison	01.08.2018	3	Independent	A	80%
John Phelps	01.06.2019	3	Independent	C	89%
Neil Phillpott	01.08.2018 A 10.09.2020 R	3	Independent	-	0%
Matthew Preece	01.01.2020	3	Independent	C	100%
Wendy Rogers	01.08.2018	3	Staff	C	78%
Denise Ryan	01.06.2019 A 09.12.2019 R	3	Independent	-	0%
Elizabeth Swaffield	01.06.2017 Re-appointed 01.06.2020	3	Independent	C	89%
Martin Veale	01.04.2015 Re-appointed 01.05.2018	3	Independent	A (Chair),R	100%

* A = Audit; C = Curriculum & Quality; F = Finance & Resources; R = Remuneration; S = Search

** To ensure ongoing learner representation during a period of ongoing disruption arising from the Covid-19 pandemic, two Student Governor appointments were extended for a year in July 2020.

External Members that served on the Corporation's committees in the period were:

Name	Date of Appointment (A)/ Re-appointment	Term of Office (Years)	Status	Committees served	Attendance in 2019/20
Paul Davenport	01.12.2015 A Re-appointed 01.12.2018	3	Independent External	A - External Co-opted	75%
Gareth Watts	01.11.2015 A Re-appointed 01.12.2018	3	Independent External	A - External Co-opted	75%

Diversity Statistics for the Corporation Board are as follows:

Diversity Indicator	July 2020	July 2019	July 2018
Gender	42% female	41% female	31% female
Ethnicity	5% BAME representation	6% BAME representation	8% BAME representation
Disability	1 member with a declared disability	1 member with a declared disability	0 members with a declared disability
Welsh speakers	1 member	1 member	1 member

The Search Committee regularly reviews skills & diversity and advises the Board on recruitment matters with reference to this data. In recent years the Corporation has expanded the range of recruitment methods used to ensure it reaches a wider pool of potential candidates. This has included circulating details via the Chwarae Teg network and via Race Council Cymru as well as numerous employer bodies and networks, social media and recruitment platforms. The key focus of recruitment at all times is to maintain a balance of skills, knowledge and experience that ensures the Board and its committees are equipped to effectively fulfil their responsibilities.

The Board has approved a Strategic Equality Plan and is committed to support its aims.

Appointments to the Corporation

All new appointments to the Corporation are a matter for the Board as a whole. The Search Committee is responsible for the selection and recommendation for appointment of all new members and no appointment is approved by the Board without reference to the advice and recommendation of the Search Committee.

The Board is responsible for ensuring that appropriate training is provided to members, based on a variety of indicators, including an annual skills survey which is reviewed by the

Search Committee. Training needs are also considered as an annual item on committee agendas.

Other than the Principal/Chief Executive and three Student Members, Governors are appointed for a term of three years, but may be re-appointed to serve up to a maximum of three terms, or nine years. Student Governors each serve a one year term (but see above for extensions applied in response to the Covid-19 pandemic). Re-appointment of members is a matter for the Board as a whole on the recommendation of the Search Committee. This recommendation is based on attendance, contribution to the work of the Board and the need to maintain an appropriate balance of skills, expertise and experience.

CORPORATION COMMITTEES

Curriculum & Quality Committee

The Curriculum & Quality Committee was established following a review of governance and 2019/20 was its first year of operation. The committee monitors and oversees performance and key developments in all areas of curriculum and quality. This includes Higher Education, Work Based Learning and Adult Community Learning in addition to all full and part time FE provision.

The committee consists of eight members and this includes the Teaching Staff Governor and two Student Governors (one FE and one HE). All meetings are attended by relevant members of the senior management team. The committee met three times during 2019/20.

Finance & Resources Committee

The Finance & Resources Committee was also established following the review of governance, with its first year of operation being 2019/20. The committee monitors and advises the Board on performance and key developments relating to financial, human resource, ICT and Estates matters. The committee also monitors progress on major capital projects such as the Torfaen Learning Zone.

The committee consists of six members who include the Business Support Staff Governor and the Chair of the Corporation. No members of the Audit Committee may serve on the Finance & Resources Committee. The committee met three times during 2019/20 and all meetings were attended by relevant members of the senior management team.

Remuneration Committee

This advisory committee is comprised of four independent Governors, including the Chair, Vice Chair and Audit Committee Chair. The committee usually meets just once a year to consider and make recommendations to the Corporation Board in respect of salaries and terms and conditions relating to the four senior post holders - the Principal, two Vice Principals and the Governance Officer. Relevant information about the remuneration of the senior post holders is set out in Note 7 to the financial statements.

The committee met in December 2019 and the Board subsequently approved a pay award relating to the previous academic year. As a result of the Covid-19 pandemic the committee deferred its next meeting. A decision on the pay award for 2019/20 is expected to be taken at the Board at its December meeting.

Search Committee

The committee comprises five Governors whose purpose it is to advise the Board on matters relating to membership. This includes overseeing the recruitment process and advising the Board on the appointment or re-appointment of members to the Board or its committees. The Search Committee also monitors attendance data, diversity and skills and appointment dates to advise on Corporation succession planning. During 2019/20 the committee met three times.

Audit Committee

The Audit Committee is comprised of four Governors and two external members of the Corporation. Membership excludes the Principal and Chair or any senior staff with significant financial responsibility. In addition, members of the Finance & Resources committee may not also serve on the Audit Committee. The Principal and Vice Principal (Resources & Planning) attend all meetings by invitation, along with the Director of Finance. The committee operates in accordance with written terms of reference approved by the Board which reflect the requirements of the Memorandum of Financial Understanding between Welsh Government and FE Colleges.

The Audit Committee meets a minimum of once per term and met four times in 2019/20. Meetings of the committee provide a forum for reporting by the College's internal and external auditors and both sets of auditors have direct access to members of the committee. Private discussions, with no College management present, take place between the auditors and the committee as a minimum annually. The committee also receives and considers reports from the Welsh Government as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed audit recommendations and the College's internal auditors undertake periodic follow up reviews to ensure that all recommendations have been implemented.

The College has a robust risk management framework which is reviewed regularly by the Audit Committee. The Corporate Risk Register is approved by the Board and the Audit Committee reviews a risk update at each of its meetings.

The Audit Committee also advises the Corporation Board on the appointment of internal and external auditors and their remuneration for both audit and non-audit work. PwC was re-appointed as the College's external auditors on a three year contract from 2017 and TIAA was awarded a two-year contract as internal auditors from August 2018 with options to extend the contract for a further 2 years. Each contract was awarded through an appropriate tender exercise.

Internal Control

Scope of responsibility

The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than

eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated the day-to-day responsibility for maintaining a sound system of internal control to the Principal/Chief Executive as Accounting Officer. He must ensure that the system of control supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Welsh Government and Coleg Gwent. He is also responsible for the timely reporting of any material weaknesses or breakdowns in internal control to the Corporation.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Coleg Gwent for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that for the year ending 31 July 2020 there has been an appropriate, formal ongoing process for identifying, evaluating and managing the College's significant risks. This has included new and unprecedented risks that have arisen in 2019/20 as a result of the Covid-19 pandemic.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- Regular reviews by the Board and the Finance & Resources Committee of periodic and annual financial reports, which indicate the financial performance of the College and its component parts against forecasts
- Setting targets to measure financial and other performance
- A College Monitoring Group meets on a regular basis to monitor performance against Key Performance Indicators and agree remedial actions where necessary

- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate
- Reports on progress in monitoring risk, based on the risk register, provided to the Audit Committee at each of its meetings

Coleg Gwent has an internal audit service, which operates in accordance with the requirements of the Welsh Government. The work of the internal audit service is informed by an analysis of the risks to which the institution is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee. At minimum annually, the Internal Auditor provides the Board with a report on internal audit activity in the College. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal/Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of other members of the College's Corporate Management Team who have responsibility for the development and maintenance of the internal control framework
- comments made by the Institution's external auditors and Welsh Government auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Corporate Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Corporate Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Audit Committee agenda includes a regular item for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board carried out the annual assessment for 2019/20 by considering documentation from the Corporate Management Team, internal and external audit and the Governance Officer.

The Audit Committee makes an Annual Report to the Board detailing the work done by the Committee during the year which has informed its re-assurance to the Corporation on the effectiveness of the College Risk Management, Corporate Governance and Internal Control structures.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the Financial Statements.

Signature:- _____
Chair

Signature:- _____
Principal/Chief Executive

Date:-

Date:-

DRAFT

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation are required to present audited financial statement for each financial year.

Within the terms and conditions of the Financial Memorandum and Conditions of Funding between the Welsh Government and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare Financial Statements for each financial year in accordance with the 2015 *Statement of Recommended Practice - Accounting for Further and Higher Education*, and with the *College Accounts Direction 2019 to 2020* issued by Welsh Government, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a report which describes what it has done, what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Welsh Government are used only in accordance with the Financial Memorandum and Conditions of Funding with the Welsh Government and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Welsh Government are not put at risk.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 1 December 2020 and signed on its behalf by:

Signature:- _____
Chair of Governors

Date:- _____

INDEPENDENT AUDITORS REPORT TO THE CORPORATION OF COLEG GWENT (THE 'INSTITUTION')

Report on the audit of the financial statements

Opinion

In our opinion, Coleg Gwent's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2020, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise the consolidated and parent institution Balance Sheets as at 31 July 2020; the consolidated and parent institution Statement of Comprehensive Income for the year then ended; the consolidated and parent institution Statement of Changes in Reserves for the year then ended; the consolidated Statement of Cash Flows for the year then ended; the Accounting Policies; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 29, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the institution's Corporation as a body in accordance with Article 18 of the institution's articles of government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Opinions on other matters prescribed in the Further Education Audit Code of Practice 2015 issued by the Welsh Government

In our opinion, in all material respects:

- monies expended out of Welsh Government grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation; and
- income has been applied in accordance with the financial memorandum with the Welsh Government.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
[XX] December 2020

Statement of Comprehensive Income for the year ended 31 July 2020
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INCOME	Note	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
WG grants	2	53,201	53,201	48,880	48,880
Tuition fees and education contracts	3	4,197	4,197	4,391	4,391
Other grants and contracts	4	2,168	2,168	1,722	1,722
Other income	5	3,403	3,403	4,306	3,401
Investment Income	6	<u>52</u>	<u>52</u>	<u>68</u>	<u>67</u>
Total Income		<u>63,021</u>	<u>63,021</u>	<u>59,367</u>	<u>58,461</u>
EXPENDITURE					
Staffing costs	7	42,296	42,296	40,208	39,065
Staff restructuring costs	7	63	63	1,194	1,036
Other operating expenses	8	14,172	14,293	14,741	15,548
Depreciation	10	5,029	5,029	4,892	4,892
Interest and other finance costs	9	<u>1,012</u>	<u>1,012</u>	<u>985</u>	<u>983</u>
Total Expenditure		<u>62,572</u>	<u>62,694</u>	<u>62,020</u>	<u>61,524</u>
Surplus/(Deficit) before exceptional items		1,134	1,134	(539)	(65)
Accelerated depreciation Pontypool Campus		(1,059)	(1,059)	(1,598)	(1,598)
Impairment of Coleg Gwent Training Ltd loan			(122)	-	(1,042)
Release of DCG Pontypool Campus		437	437	678	678
Exceptional staff restructuring		(63)	(63)	(1,194)	(1,036)
Surplus/(Deficit) before other gains and loses		449	327	(2,653)	(3,063)
Gain on disposal of assets	11	<u>10</u>	<u>10</u>	<u>27</u>	<u>27</u>
Surplus/(Deficit) for the year		459	337	(2,626)	(3,036)
Actuarial loss in respect of pensions schemes	22	(13,100)	(13,100)	(9,520)	(9,425)
Decrease in endowment assets		<u>(0)</u>	<u>(0)</u>	<u>(1)</u>	<u>(1)</u>
Total Comprehensive expense for the year (all unrestricted)		<u><u>(12,641)</u></u>	<u><u>(12,763)</u></u>	<u><u>(12,147)</u></u>	<u><u>(12,462)</u></u>

Statement of changes in reserves for the year ended 31 July 2020

GROUP	Income and expenditure account £'000	Restricted Reserves £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 August 2018	(6,474)	65	5,054	(1,355)
Deficit for the year	(2,626)	-	-	(2,626)
Decrease in endowment assets	-	(1)	-	(1)
Other comprehensive income	(9,520)	-	-	(9,520)
Transfers between revaluation and income and expenditure reserves	62	-	(62)	-
Balance at 31 July 2019	(18,558)	64	4,992	(13,502)
Opening Balance adjustment				
Surplus for the year	459	-	-	459
Decrease in endowment assets	-	-	-	-
Other comprehensive expense	(13,100)	-	-	(13,100)
Transfers between revaluation and income and expenditure reserves	62	-	(62)	-
	(12,579)	(0)	(62)	(12,641)
Balance at 31 July 2020	(31,137)	64	4,930	(26,143)
COLLEGE				
Balance at 1 August 2018	(6,037)	65	5,054	(918)
Deficit for the year	(3,036)	-	-	(3,036)
Decrease in endowment assets	-	(1)	-	(1)
Other comprehensive income	(9,425)	-	-	(9,425)
Transfers between revaluation and income and expenditure reserves	62	-	(62)	-
Balance at 31 July 2019	(18,436)	64	4,992	(13,380)
Surplus for the year	337	-	-	337
Decrease in endowment assets	-	-	-	(0)
Other comprehensive income	(13,100)	-	-	(13,100)
Transfers between revaluation and income and expenditure reserves	62	-	(62)	-
	(12,701)	(0)	(62)	(12,763)
Balance at 31 July 2020	(31,137)	64	4,930	(26,143)

Balance Sheets as at 31 July 2020
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	Note	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non-current Assets					
Tangible fixed assets	10	60,416	60,416	61,198	61,198
Investments		2	2	2	2
Endowment assets	12	64	64	64	64
		<u>60,482</u>	<u>60,482</u>	<u>61,264</u>	<u>61,264</u>
Current Assets					
Stocks	13	3	3	2	2
Trade and other receivables	14	3,085	3,085	1,798	1,754
Cash and cash equivalents	19	14,862	14,862	11,797	11,688
		<u>17,950</u>	<u>17,950</u>	<u>13,597</u>	<u>13,444</u>
Less creditors - amounts falling due within one year	15	(8,811)	(8,811)	(8,335)	(8,254)
Net Current Assets		<u>9,139</u>	<u>9,139</u>	<u>5,262</u>	<u>5,190</u>
Total assets less current liabilities		<u>69,621</u>	<u>69,621</u>	<u>66,526</u>	<u>66,454</u>
Creditors - amounts falling due after more than one year	16	(35,939)	(35,939)	(37,137)	(37,137)
Net Assets before provisions		<u>33,682</u>	<u>33,682</u>	<u>29,389</u>	<u>29,317</u>
Provisions					
Defined benefit pension obligations	22	(56,982)	(56,982)	(40,575)	(40,381)
Other provisions	18	(2,843)	(2,843)	(2,316)	(2,316)
		<u>(59,825)</u>	<u>(59,825)</u>	<u>(42,891)</u>	<u>(42,697)</u>
Net Liabilities		<u>(26,143)</u>	<u>(26,143)</u>	<u>(13,502)</u>	<u>(13,380)</u>
Restricted reserves					
Income and expenditure reserve - endowment fund		64	64	64	64
Unrestricted Reserves					
Income and expenditure account		(31,137)	(31,137)	(18,558)	(18,436)
Revaluation reserve		4,930	4,930	4,992	4,992
Total reserves		<u>(26,207)</u>	<u>(26,207)</u>	<u>(13,566)</u>	<u>(13,444)</u>
Total reserves		<u>(26,143)</u>	<u>(26,143)</u>	<u>(13,502)</u>	<u>(13,380)</u>

The Financial Statements on pages 39 to 64 were approved by the Corporation on 1 December 2020 and were signed on its behalf by

.....
Mr M. Langshaw MBE
Chair

.....
Mr G O Lacey
Principal/Chief Executive

.....
Mrs L Astell
Vice Principal

Consolidated Statement of cash flows for the year ended 31 July 2020

	2020 £'000	2019 £'000
<i>Cash flow from operating activities</i>		
Surplus/(Deficit) for the year	459	(2,626)
<i>Adjustment for non-cash items</i>		
Depreciation	5,029	4,892
Increase in stock	(1)	-
(Increase)/decrease in debtors	(1,287)	300
Decrease in creditors due within one year	476	506
Increase/(Decrease) in endowments	-	(1)
Decrease/(Increase) in provisions	527	(59)
Pensions costs less contributions payable	2,442	1,798
Deferred capital grant release	(1,338)	(2,707)
<i>Adjustment for investing or financing activities</i>		
Investment income	(52)	(68)
Interest payable	1,012	985
Profit on sale of fixed assets	(10)	(27)
Net Cash flow from operating activities	7,257	2,993
<i>Cash flows from investing activities</i>		
Proceeds from sale of fixed assets	10	27
Investment income	52	68
Payments made to acquire fixed assets	(4,247)	(3,401)
Deferred grant received	550	480
Net cash flow from investing activities	(3,635)	(2,826)
<i>Cash flows from financing activities</i>		
Interest paid	(147)	(159)
Repayment of amounts borrowed	(410)	(685)
Net cash flow from financing activities	(557)	(844)
Increase/(Decrease) in cash and cash equivalents in the year	3,065	(677)
Cash and cash equivalents at the beginning of the year	11,797	12,474
Cash and cash equivalents at the end of the year	14,862	11,797

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *Welsh Government Accounts Direction* and in accordance with Financial Reporting Standard 102 - “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Coleg Gwent Training Ltd which is controlled by the Group. Coleg Gwent Training Ltd ceased trading on the 31st July 2019 and will be placed into liquidation April 2021. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. Unlike other organisations, the College’s financial position has not been materially affected by Covid-19 as Welsh Government has moved quickly to protect income and to support the sector.

The College currently has £4.5m of loans outstanding with bankers on terms negotiated at various dates. The College’s forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period over which they are receivable and depend on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body and the results of any funding audits.

The recurrent grant from WG represents the funding allocations attributed to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable

to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the financial year by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's SOCI in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings acquired pre August 2002 - 25 years
- Buildings acquired post August 2002 - 50 years
- Refurbishments - 10 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major modifications to buildings over the period of their useful economic life of between 25 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993 on incorporation, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the SOCI in the financial year it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the financial year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

- technical equipment 5 years
- motor vehicles 5 years
- computer equipment 4 years
- furniture, fixtures and fittings 10 years

Borrowing costs

Borrowing costs are recognised as expenditure in the financial year in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under

Finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6.2% (last VAT claim) of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the financial year it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management has made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. WELSH GOVERNMENT GRANTS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Recurrent Grants				
WG Recurrent Grant	45,977	45,977	43,103	43,103
Work Based Learning	1,150	1,150	1,369	1,369
Release of Deferred Capital Grants WG - buildings	129	129	129	129
Release of Deferred Capital Grants WG - equipment	436	436	387	387
Other specific grants	<u>5,509</u>	<u>5,509</u>	<u>3,892</u>	<u>3,892</u>
Total	<u><u>53,201</u></u>	<u><u>53,201</u></u>	<u><u>48,880</u></u>	<u><u>48,880</u></u>

During the 2019/20 financial year the College received £0.9m (2018/19: £0.8m) from the Welsh Government as earmarked Learner Support Funds (LSF). The funds were administered in accordance with the terms and conditions specified by the Welsh Government, and are not recorded in the College's income and expenditure account. The detail of this grant is shown in Note 24.

3. TUITION FEES & EDUCATION CONTRACTS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fees - Further Education	244	244	184	184
Fees - Higher Education	3,690	3,690	3,854	3,854
Total tuition fees	<u>3,934</u>	<u>03,934</u>	<u>4,038</u>	<u>4,038</u>
LEA Contracts	<u>263</u>	<u>263</u>	<u>353</u>	<u>353</u>
Total	<u>4,197</u>	<u>4,197</u>	<u>4,391</u>	<u>4,391</u>

4. OTHER GRANTS & CONTRACTS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
European Grants	<u>2,168</u>	<u>2,168</u>	<u>1,722</u>	<u>1,722</u>
Total	<u>2,168</u>	<u>2,168</u>	<u>1,722</u>	<u>1,722</u>

5. OTHER INCOME

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Catering	22	22	30	30
Other income generating activities	897	897	1,855	950
Release other deferred capital grants - non WG	1,202	1,202	1,457	1,457
Farming activities	18	18	21	21
Rental income	11	11	46	46
Miscellaneous income	1,253	1,253	897	897
Total	<u>3,403</u>	<u>3,403</u>	<u>4,306</u>	<u>3,401</u>

6. INVESTMENT INCOME

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank interest receivable	<u>52</u>	<u>52</u>	<u>68</u>	<u>67</u>
Total	<u>52</u>	<u>52</u>	<u>68</u>	<u>67</u>

7. STAFF COSTS

Numbers of staff

The average number of persons (including key management personnel) employed by the College during the year, described as full time equivalent was:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching staff	479	479	444	444
Non-teaching staff	468	468	490	485
Total	947	947	934	929

Staff costs for the above persons

Wages and salaries	29,881	29,881	30,152	29,213
Social security costs	2,740	2,740	2,738	2,658
Other pension costs (inc. enhanced pensions, FRS 102 adjustment)	9,171	9,171	7,362	7,222
Movement in holiday pay	504	504	(44)	(28)
	42,296	42,296	40,208	39,065
Exceptional staff redundancy costs	63	63	1,194	1,036
	42,359	42,359	41,402	40,101

Employment costs by employee type	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching departments	22,309	22,309	21,982	21,538
Teaching support services	5,377	5,377	5,332	5,332
Administration and central services	10,727	10,727	10,349	9,646
Premises	499	499	487	487
Training and development	35	35	42	42
Exceptional staff redundancy costs	63	63	1,194	1,036
Enhanced pension provision movement	272	272	132	132
Apprenticeship levy	131	131	130	129
FRS102 charge in excess of contributions	2,442	2,442	1,798	1,787
Holiday pay accrual movement	504	504	(44)	(28)
Total	42,359	42,359	41,402	40,101

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Leadership Team (SLT) which comprises of the Principal, Vice Principals and Directors. Staff costs include compensation paid to key management personnel for loss of office.

Emolument of key management personnel, Accounting Officer and other higher paid staff.

Of the thirteen members on the Senior Leadership Team (SLT) in 2020 twelve were paid above £60k and one below. One SLT member left their position in 2019/20 and the post is currently vacant and being covered by an Interim Director (substantively the HR Manager). An additional Director for External Engagement was established 1st August 2019.

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind was:

	Group 2020 No.	College 2020 No.	Group 2019 No.	College 2019 No.
The number of key management personnel including the Accounting Officer was:	12	12	12	12
Total	12	12	12	12
Key management personnel	Group 2020 No.	College 2020 No.	Group 2019 No.	College 2019 No.
£55,001 to £60,000 per annum	1	1	4	4
£60,001 to £65,000 per annum	3	3	-	-
£65,001 to £70,000 per annum	2	2	5	5
£70,001 to £75,000 per annum	3	3	-	-
£100,001 to £105,000 per annum	2	2	2	2
£145,001 to £150,000 per annum	-	-	1	1
£150,001 to £155,000 per annum	1	1	-	-
Total	12	12	12	12

Key management personnel compensation is made up as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Salaries	952	952	1,097	1,046
Pension contributions	223	223	217	212
Total Emoluments	1,175	1,175	1,314	1,258

The compensation on the previous page includes amounts payable to the Principal who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Salaries	153	153	149	149
Pension contributions	37	37	39	39
Total Emoluments	190	190	188	188

Compensation for loss of office paid to former key management personnel.

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Contractual	21	21	22	6
Non-Contractual	19	19	105	79
Total	40	40	127	85

The above costs were approved by the Chair and Vice Chair of the Board of Governors.

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of the their duties.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	5.06	4.44
Principal and CEO's total remuneration as a multiple of the median of all staff.	6.28	5.61

The 2020 figures are based on the Gender Pay Gap report for March 2020 and does not include agency staff. The College currently contracts out the cleaning and catering services of the College therefore these staffing costs are also omitted from the calculation.

8. OTHER OPERATING EXPENSES

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching department costs	795	795	814	793
Other support services	115	115	117	117
Administration and central services	2,639	2,639	2,510	2,443
General Education	1,979	1,979	2,004	1,941
Premises and maintenance costs	5,419	5,419	4,616	4,569
Franchise provision	1,070	1,070	972	972
Payment to Partners - European Fund	408	408	781	781
Payment to Partners - SPP	383	383	1,662	1,662
Catering operations	135	135	78	74
Usk Estates	17	17	17	17
Transport	930	930	918	896
Impairment of Coleg Gwent Training Ltd loan		122	-	1,042
Auditors' remuneration				
• Financial Statement Audit	40	40	39	34
• Internal Audit	30	30	36	36
• Other services provided by the financial statement auditors	6	6	27	21
Losses on disposal of non-current assets	-	-	-	-
Hire of assets under operating leases - non property assets	206	206	150	150
	<u>14,172</u>	<u>14,294</u>	<u>14,741</u>	<u>15,548</u>

9. INTEREST & OTHER FINANCE COSTS

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Banks loans, overdrafts and other loans	147	147	159	159
Pension finance costs (note 22)	865	865	826	824
	<u>1,012</u>	<u>1,012</u>	<u>985</u>	<u>983</u>

10. TANGIBLE FIXED ASSETS

Land and buildings were valued in 1993 by the District Valuer, Newport, on the basis of Open Market Value for the Existing Use, or in the case of specialised buildings, on the basis of Depreciated Replacement Cost, for incorporation within the balance sheet. The valuation, as at 1 April 1993, amounted to £29,885,000 of which £23,212,000 related to buildings and £6,673,000 related to land.

As inherited land and buildings were transferred from the Local Education Authority to the College under the terms of Further and Higher Education Act 1992 at £nil cost, if they had not been valued they would have been included in the financial statements at a historic cost of £nil. Should these assets be sold, the College would either have to surrender the sale proceeds to the Welsh Government or use them in accordance with the Financial Memorandum issued by the Welsh Government.

Donated land and buildings were valued on 21 July 2012 by Cooke & Arkwright and have been depreciated during the year in line with the College's depreciation policy.

Assets with a net book value of £6,335k (2018/19: £6,350k) have been funded with Welsh Government grants, and assets with a net book value of £731k (2018/19: £1,298k) have been funded with other grants. Should these assets be disposed of the proceeds may be returned to the relevant organisation.

Accelerated depreciation of £1,059k (2018/19 £1,598k) has been charged in relation to the Pontypool campus site, a corresponding deferred capital grant of £437k (2018/19 £678k) has also been released. Accelerated depreciation and releases from capital grants of £534k and £241k respectively will be made in the year ending 31 July 2021.

	Land	Buildings	Fixtures and Fittings	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	6,307	79,697	21,170	2,203	109,377
Additions	-	-	-	4,247	4,247
Reclassifications	-	51	2,885	(2,936)	-
Disposals	-	-	-	-	-
<i>At 31 July 2020</i>	<u>6,307</u>	<u>79,748</u>	<u>24,055</u>	<u>3,514</u>	<u>113,624</u>
Depreciation					
At 1 August 2019	356	37,446	10,37	-	48,179
Charges for year	3	1,345	2,622	-	3,970
Accelerated depreciation	-	986	73	-	1,059
Eliminations in respect of disposals	-	-	-	-	-
<i>At 31 July 2020</i>	<u>359</u>	<u>39,777</u>	<u>13,072</u>	<u>-</u>	<u>53,208</u>
Net Book Value at 31 July 2020	<u>5,948</u>	<u>39,971</u>	<u>10,983</u>	<u>3,515</u>	<u>60,416</u>
Net Book Value at 31 July 2019	<u>5,951</u>	<u>42,251</u>	<u>10,793</u>	<u>2,203</u>	<u>61,198</u>

11. NON CURRENT INVESTMENTS

Coleg Gwent Training Ltd has been placed into liquidation and is expected to be struck off the register at Companies' House prior to April 2021. Coleg Gwent Enterprises Ltd and Coleg Gwent Catering Ltd are dormant companies. The registered address for all subsidiaries is: - The Rhadyr, Usk, Monmouth, NP15 1XJ.

12. ENDOWMENT ASSETS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Cash Balances	64	64	64	64
Total	<u>64</u>	<u>64</u>	<u>64</u>	<u>64</u>

13. STOCKS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Refectory & bar stock	3	3	2	2
Total	3	3	2	2

14. TRADE & OTHER RECEIVABLES

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year				
Trade receivables	441	441	465	421
Prepayments and accrued income	2,644	2,644	1,333	1,333
Total	3,085	3,085	1,798	1,754

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year				
Bank loans (refer to note 17)	410	410	409	409
Trade payables	1,095	1,095	360	350
Accruals and deferred income	4,154	4,154	4,564	4,493
Government grants received in advance	1,577	1,577	2,006	2,006
Grants in advance	1,575	1,575	996	996
Total	8,811	8,811	8,335	8,254

16. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans (refer to note 17)	3,635	3,635	4,045	4,045
Deferred income - government grants	<u>32,304</u>	<u>32,304</u>	<u>33,092</u>	<u>33,092</u>
Total	<u>35,939</u>	<u>35,939</u>	<u>37,137</u>	<u>37,137</u>

17. MATURITY OF DEBT - BANK LOANS & OVERDRAFTS

Bank loans are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans due within one year	409	409	409	409
Between one and two years	427	427	410	410
Between two and five years	1,014	1,014	1,120	1,120
In five years or more	<u>2,194</u>	<u>2,194</u>	<u>2,515</u>	<u>2,515</u>
Total	<u>4,044</u>	<u>4,044</u>	<u>4,454</u>	<u>4,454</u>

The College has four fully drawn down facilities as follows:

Bank	Loan Amount £k	Security	Interest rate	Payment schedule
National Westminster	1,125	Newport Library	0.8% above LIBOR	96 quarterly instalments ending May 2028
National Westminster	1,800	Crosskeys Art Block	0.8% above LIBOR	96 quarterly instalments ending Aug 2028
National Westminster	1,050	Crosskeys Science Block	0.8% above LIBOR	96 quarterly instalments ending July 2022
Lloyds TSB	2,900	Unsecured	5.584%	92 quarterly instalments

18. OTHER PROVISIONS

	Group and College			Total
	VAT Provision	Enhanced Pension Provision	Holiday pay Provision	
	£'000	£'000	£'000	
At 1 August 2019	100	1,818	398	2,316
Released/utilised	(100)	(150)	(398)	(648)
Charge to SOCI account in period	-	273	902	1,175
Total	-	1,941	902	2,843

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are;

	2020	2019
Price Inflation	2.2%	2.2%
Discount Rate	1.3%	2.0%

The holiday pay provision relates to short-term employee benefits afforded to all employees in the financial year but which are still outstanding at year end. These benefits relate to outstanding annual leave at 31 July 2020.

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Holiday pay provision	902	902	398	398
Total	902	902	398	398

19. CASH & CASH EQUIVALENTS

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	<u>11,797</u>	<u>3,065</u>	<u>14,862</u>
Total	<u>11,797</u>	<u>3,065</u>	<u>14,862</u>

20. CAPITAL & OTHER COMMITMENTS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Commitments contracted at 31 July 2020	<u>1,182</u>	<u>1,182</u>	<u>2,151</u>	<u>2,151</u>
Total	<u>1,182</u>	<u>1,182</u>	<u>2,151</u>	<u>2,151</u>

21. LEASE OBLIGATIONS

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:-

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Other (not land and buildings)				
Not later than one year	206	206	202	202
Later than one year and not later than five years	274	274	406	406
Total	<u>480</u>	<u>480</u>	<u>608</u>	<u>608</u>

22. DEFINED PENSION OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Torfaen Borough Council. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was March 2016 and of the LGPS 31 March 2019.

Total Pension Cost for the year

	2020 £'000	2019 £'000
Teachers' Pension Scheme Contributions	3,726	2,609
NEST	0	11
Local Government Pension Scheme Contributions		
Contributions paid	2,732	2,845
Movement in accruals/LS adjustments	(1)	(33)
FRS 102 charge	<u>2,442</u>	1,798
Charge to Statement of Comprehensive Income	8,899	<u>7,230</u>
Enhanced Pension Charge to the Income and Expenditure Account	<u>272</u>	132
	<u><u>9,171</u></u>	<u><u>7,362</u></u>

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including Colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS'

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The

valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £20 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website

The pension costs paid to TPS in the year amounted to £3,726k (2019 £2,609k)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Torfaen Unitary Authority. The total contributions made for the year ended 31 July 2020 were £3,456k, of which employer's contributions totalled £2,723k and employees' contributions totalled £733k. The agreed contribution rates for future years are 26.4% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016, updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020 %	At 31 July 2019 %
Rate of increase in salaries	2.5	2.8
Discount rate for scheme liabilities	1.4	2.1
Inflation assumption (CPI)	2.2	2.4
Commutation of Pensions to lump sums	50.0	50.0

The current mortality assumptions* include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2020	2019
Retiring today		
Males	20.6	20.6
Females	22.9	23.0
Retiring in 20 years		
Males	21.6	21.9
Females	24.6	24.7

*It should be noted that the mortality assumptions noted above represent the average for the Torfaen scheme

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	71,739	71,981
Present value of plan liabilities	(128,721)	(112,556)
Net Pensions (liability)	<u>(56,982)</u>	<u>(40,575)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	5,444	4,215
Past service (credit)/cost	(209)	378
Total	<u>5,235</u>	<u>4,593</u>
Amounts included in finance costs		
Net interest cost	(865)	(826)
Total	<u>(865)</u>	<u>(826)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2020 £'000	2019 £'000
Amount Recognised in Other Comprehensive Income		
Return on pension plan assets	3,305	1,951
Experience gains arising on defined benefit obligations	(3,831)	(11)
Change in demographic assumptions	12,844	5,872
Changes in assumptions underlying the present value of plan liabilities	782	(17,332)
Amount Recognised in Other Comprehensive Income	13,100	(9,520)
Movement in net defined liability during year		
Net defined benefit liability in scheme at 1 August	(40,367)	(28,431)
Movement in year;		
Current service cost	(5,444)	(4,215)
Past service costs	209	(378)
Employer contributions	2,793	2,795
Effect of Business Combination	(194)	-
Net interest on the defined (liability)/asset	(879)	(826)
Actuarial gain or loss	(13,100)	(9,520)
Net Defined benefit liability at 31 July	(56,982)	(40,575)
Asset and Liability Reconciliation		
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	(111,814)	(94,805)
Current service cost	(5,444)	(4,215)
Past service cost	209	(378)
Effect of Business Combination	(728)	-
Interest cost	(2,399)	(2,708)
Contribution by scheme participants	(733)	(693)
Benefits paid	1,983	1,714
Other experiences	3,831	(11)
Changes demographic assumptions	(12,844)	5,872
Changes in financial assumptions	(782)	(17,332)
Defined benefit obligations at the end of period	(128,721)	(112,556)
Fair value of plan assets at start of period	71,447	66,374
Interest on plan assets	1,520	1,882
Return on plan assets	(3,305)	1,951
Employer contribution	2,793	2,795
Contributions by scheme participants	733	693
Effect of Business Combination	534	-
Estimated benefits paid	(1,983)	(1,714)
Fair value of plan assets at end of period	71,739	71,981

These accounts show a past service credit of £209k in respect of the McCloud/Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs.

The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% p.a. increase would increase the estimated cost by 65%.

23. RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £nil. (2019 £1k) This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2019 nil)

24. AMOUNTS DISBURSED AS AGENT

	College 2020 £'000	College 2019 £'000
Balance brought forward	6	26
Funding body grants - discretionary learner support	872	757
Interest earned	2	2
	<u>880</u>	<u>785</u>
Disbursed to students	(860)	(756)
Administration costs	(10)	(23)
Balance as at 31 July, included in creditors	<u>10</u>	<u>6</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

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